



Secret

No Foreign Dissem



Ecuador Handbook

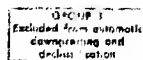
Secret

No 107

No. 0562

W A R N I N G

This document contains information affecting the national defense of the United States within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.



SECRET
No Foreign Dissem

TABLE OF CONTENTS

	Page
INTRODUCTION	
I. GEOGRAPHY	
Location	1
Area	1
Climate	1
Topography	1
Natural resources	1
Human resources	2
II. ECONOMIC BACKGROUND	
Growth rates and trends	1
Main sectors of the economy	1
Transportation and telecommunications	3
Government economic policy and financial system	4
Foreign trade and balance of payments	5
III. POLITICAL SITUATION AND TRENDS	
Historical background	1
Structure and functioning of governmental system	1
Political dynamics	2
Security system	3
IV. SUBVERSION	
V. LEADING PERSONALITIES	
Chief of state	1
Ecuadorean cabinet	1
Other prominent politicians	1
Influential military leaders	2
Journalist	3

No Foreign Dissem

SECRET

VI. ARMED FORCES

Organization and manpower	1
Logistics	1
Defense agreements	1
Training	2

VII. FOREIGN RELATIONS

VIII. US INTERESTS

IX. CHRONOLOGY AND TABULAR DATA

MAP

~~SECRET~~
No Foreign Dissem

INTRODUCTION

Ecuador is neither geographically nor economically an important factor in Western Hemisphere security, nor is it influential in Latin American councils. The country has no significant subversion or terrorism problem that immediately threatens its neighbors.

The freely elected government of President Jose Velasco came to power on 1 September 1968. This is the 77-year-old Velasco's fifth attempt to govern Ecuador; on three previous occasions he has been ousted. With the support of military leaders, Velasco assumed dictatorial powers on 22 June 1970 in the face of a persistent financial crisis and continuing student disorders. Congress was closed, the universities shut down, and the 1967 constitution replaced by a modified version of the one adopted in 1946. Velasco pledged to leave office when his term of office expires in August 1972.

Ecuador is one of the poorest and least developed countries in Latin America. The country remains basically an agrarian society with agriculture employing about 55 percent of the labor force and accounting for about one third of the gross domestic product. Bananas, coffee, and cocoa provide 85 percent of Ecuador's exports. The newly discovered petroleum fields in northeastern Ecuador are expected to begin producing in 1973 and should more than meet domestic needs and be a source of foreign exchange. The sucre was devaluated to 25 to the US dollar in mid-August 1970 in an attempt to balance current account payments.

About 43 percent of the estimated population of 6,092,000 persons is illiterate, and it is estimated that as little as 50 percent of the population participates in the money economy.

The Ecuadorean armed forces total about 16,580 men and are untrained for sustained combat. Military equipment is generally in fair condition, but obsolete and not standardized. The military continues to be the only element in Ecuador with the capacity for making direct political changes. Other forces, particularly labor, students, and business and commercial groups have a capability only to erode military support for the government.

Ecuador

iii

Oct 70

No Foreign Dissem

I. GEOGRAPHY

Location

Ecuador is situated on the equator on the northwestern coast of South America between Colombia and Peru and includes the Galapagos Islands 600 miles to the west. The Pacific coastline extends 640 miles and Ecuador claims territorial jurisdiction and fishing rights out to 200 nautical miles from its seacoast.

Area

Including the Galapagos Islands, the country has an area of approximately 106,000 square miles. It is slightly larger than the state of Colorado, and in South America is the third smallest of the independent countries after Uruguay and Guyana.

Climate

The climate of Ecuador is as diversified as its topography. Temperatures are warm to hot on the coastal and interior lowlands, moderate on the lower slopes of the Andes and on the intermontane basins, and cold at the higher elevations. Quito, at an elevation of 9,246 feet, has an average temperature in the sixties throughout the year. In general, Ecuador is cloudy and humid, with moderate to heavy amounts of precipitation except in some nearly arid coastal areas. Mean monthly precipitation reaches a high of seven inches in Quito in April and a low in July of less than one inch.

Topography

The mainland consists of three distinct topographic regions: a tropical lowland in the east, an irregular belt of plains and hills along the coast in the west, and separating these two areas, a broad band of north-south trending highlands containing volcano-studded mountain ranges that rise to about 13,000 feet in the south and to over 18,000 feet in the north. The ranges enclose a series of elevated intermontane basins. The Galapagos Islands are made up of several large and many small, generally arid, volcanic islands and islets.

Natural resources

Ecuador has only a small amount of arable land, most of it in two agriculturally rich areas. The more fertile but less effectively used zone is

Ecuador

Oct 70

~~SECRET~~
~~No Foreign Dissem~~

along the Pacific coast. In its central provinces of Los Rios and Guayas, where rainfall is adequate, virtually every type of tropical product can thrive. The other agricultural area is the highlands, where temperate crops and some high-altitude tropical crops are grown.

Small quantities of gold, silver, and petroleum are produced. The discovery of new petroleum deposits in the northeast corner of the country in 1967 and their exploitation by a US consortium promise to make Ecuador an exporter of petroleum in the 1970s. An undetermined amount of copper reserves has been found in southern Ecuador and the government is eager for commercial exploration to begin.

Forestry is relatively undeveloped. There are vast timber reserves, but these are located primarily in largely unexplored tropical rain forests in the eastern lowland and northern coastal area, where access is difficult.

Abundant off-shore fish resources, mainly tuna and shrimp, support a fast growing industry that is already overtaking some traditional tropical crops as a foreign exchange earner.

Human resources

The estimated population in July 1970 was 6,092,000 with an annual growth rate of about 3.2%. The infant mortality rate is estimated at 99 per 1,000, and life expectancy is estimated at 55 years for men and 58 for women. Ethnically, about 41% of the population is mestizo, 39% Indian, 10% white, 5% black, and 5% oriental and other. The great majority of the Indians live in the highlands, the whites and mestizos in the provincial capitals and Quito, and almost all of the blacks, mulattoes, and Asians are found on the coast. There has been a marked migration from rural areas, principally to the provinces of Guayas and Pichincha, where the cities of Guayaquil and Quito are located. The labor force is estimated at two million; about 12% is organized. About 68% of the population is estimated to be literate. Spanish is the official language, but there is a large Quechua-speaking Indian linguistic minority.

Ecuador

1 - 2

Oct 70

~~No Foreign Dissem~~

~~SECRET~~

II. ECONOMIC BACKGROUND

Growth rates and trends

Per capita GDP for Ecuador was US \$410 (purchasing power parity estimate) in 1969. GDP increased at an average annual rate of 4.5% during 1961-68 compared with 5.0% in 1951-60. Given the rapid growth of population, the per capita growth of GDP has averaged only about 1.0% per year in the 1960s.

The main economic problem since 1967 remains the chaotic state of public finances. The budget deficit grew from \$44 million in 1968 to an estimated \$55 million in 1969, or 25% of expenditures.

Until suspended in June 1970, when President Velasco assumed dictatorial power, congress continued to approve sizable increases in government expenditures but refused to raise taxes. Moreover, President Velasco has, for political expediency, granted unbudgeted pay increases to the armed forces and national police. The severity of the financial pinch in late 1969 caused salaries for soldiers, policemen, teachers, and other public employees to fall two to three months in arrears.

The government tried unsuccessfully to peddle bonds in European capital markets in 1969 to help finance its deficit. At year's end the government had resorted to record-level borrowing from the Central Bank. If no corrective measures are taken to offset the monetary effects of this increase in credit, Ecuador faces serious balance of payments pressures that will result in a significant decline in foreign exchange reserves. A comprehensive exchange reform was decreed on 6 August 1970 that established the par value of the sucre at 25 per US dollar.

Only about one third of the labor force participates in the money economy. For these, a minimum wage of US \$27 a month was established by law in October 1968. The government, however, has made little progress in redistributing income. Despite some reforms, the tax structure remains highly regressive. Educational, health, and other public welfare expenditures are relatively small, and the social security system covers only a small fraction of the labor force.

Main sectors of the economy

Agriculture and fishing continue to dominate the Ecuadorean economy. They account for about one third of the GDP, nine tenths of export

Ecuador

Oct 70

earnings, and about one fourth of government revenues; they employ some 55% of the labor force. Only about 11% of the total land area is cultivated; the ruggedness of the terrain and the high costs of clearing forests, constructing roads, and building irrigation facilities remain formidable barriers to agricultural development. Output has increased slowly since the late 1950s with average annual increases somewhat below the growth of population. The coastal plains and hills contain 60% of the cropland and grow most of the export crops—bananas, rice, cocoa, coffee, and sugarcane. Cropland in the Andean highland area is devoted principally to domestic food crops—corn, wheat, barley, beans, potatoes, and cassava. The typical farm is five hectares or smaller, adequate at best for subsistence agriculture. Farms of more than 100 hectares make up only 2% of the number of farm units but they occupy 60% of the farm land. Although bananas are the principal export, Ecuador has become a marginal supplier in the world market because of its remoteness from the main markets, poor production and marketing techniques, and a late start in changing over to the new Cavendish variety. Because of these factors, Ecuador is the first country to have suffered from reduced export demand for bananas. These disadvantages, however, are offset by relative freedom from the Panama disease and hurricanes which periodically devastate competitive areas. After a decline in this value of banana exports to \$93 million in 1969, there was some improvement in early 1970.

Ecuador's other two major agricultural exports—coffee, and cocoa—both suffered declines in 1969 in part due to poor crops.

The country has a small but growing fishing industry. Foreign exchange earnings from exports of fish products, mainly tuna and shrimp to the US, rose from \$5 million in 1966 to \$9.6 million in 1969, overtaking sugar in importance as an export product.

Manufacturing is the second most important sector, producing about 17% of GDP. It has been one of the fastest growing sectors of the economy since 1961. Food processing, beverages, and textiles are the most important activities.

Ecuador's newly discovered petroleum resources should not only satisfy domestic demand but should enable the country to export about 150,000 barrels per day by the beginning of 1973. Petroleum exports would relieve balance of payments strains, ease chronic budget problems, and help finance new public investment.

Ecuador

II - 2

Oct 70

~~SECRET~~
No Foreign Dissem

In 1968 the mining of metals and minerals accounted for only about 2% of GDP. Output of metals consists of small amounts of gold, silver, copper, lead, and zinc. Clay, ocher, salt, construction materials, and sulfur are the only non-metallic minerals produced.

The development of electric power has lagged because of the small size of Ecuador's industrial sector. Per capita production of 130 kw. hr. in 1967 was the second lowest in South America.

Transportation and telecommunications

The transportation and telecommunications system are minimal and generally of low quality. What facilities exist are almost exclusively in the western half of the country.

Highways are by far the most important medium of transport, despite the general inferiority of the 11,910-mile network. The network pattern consists essentially of the Pan American Highway, which runs 703 miles from the northern to the southern border, and a number of east-west roads from Pacific ports to various centers in the interior.

The state-owned railroad—710 miles of narrow gage, single track—is badly managed and in poor condition.

Almost all foreign trade leaves Ecuador by ocean shipping. The Ecuadorean-flag merchant fleet, however, carries only about 6-8% of the volume. The all-diesel-powered fleet comprises six cargo ships and two tankers. There are 13 ports, one principal, one secondary, and 11 minor. Exporting from Guayaquil, which far exceeds that of all other ports, totals over one million tons a year and consists of bananas, rice, sugar, coffee, cocoa, balsa, and Panama hats.

A well-developed civil air route has developed to cross the rugged terrain between the coastal areas and the population centers of the mountains. Ecuador is linked to most of the major cities of the Americas by regularly scheduled flights both of foreign air carriers and its own two international airlines. Maintenance at civilian airfields is inadequate, although military airfields are generally in good to excellent condition.

The domestic telecommunication system does not provide adequate service to the government, commercial activities, or the public, and many private firms have had to develop their own systems. Although the open wire

Ecuador

II - 3

Oct 70

No Foreign Dissem

system is much more extensive, the growing radio-relay system is assuming increased importance as the primary means of intercity telecommunications. Most of Ecuador's international service was furnished by the All American Cable and Radio Corporation (AACR), a subsidiary of International Telephone and Telegraph. In early 1970, the government nationalized AACR. Nearly all broadcast stations are commercially operated. In 1968 there were about 200 AM stations, 30 FM, and 8 TV stations licensed to operate with an estimated 650,000 radio receivers and 55,000 television receivers.

Government economic policy and financial system

The Ecuadorean Government exercises a moderate degree of influence over the economy through public enterprises and various types of controls. In 1970 there were over 1,000 autonomous and decentralized agencies. Under the dictatorial powers assumed by President Velasco on 22 June 1970, the government took over direct control of these agencies in a sweeping effort to modernize the inefficient fiscal structure. Prior to this the central government retained only one third of the public sector revenues, and the major part of public sector spending was done by these agencies. The intervention of these agencies, new foreign exchange controls, tighter control of monetary policy, and nationalization of sugar exports to the preferential US market are but some of the moves that demonstrate the government's determination to play a more active unifying role in the economic life of the country. It remains to be seen if implementation of these reforms will be effective.

Economic policy since the early 1950s has been directed toward the rapid development of the coastal area through public investments in infrastructure, notably highways and port facilities. The rapid growth of banana exports during the 1950s and continuing to the mid-1960s raised public sector revenues and provided the financial means to increase government expenditures.

At the same time, public policy has placed major reliance on the expansion of private activity for economic development. Government action has been more direct and effective in stimulating both foreign and private investment in manufacturing than in agriculture.

The banking system of Ecuador consists of the Central Bank, private commercial banks (including mortgage banks and branches of foreign banks), and several specialized banking and credit institutions. Among the specialized institutions are the government-owned National Financial Corporation, the privately owned Ecuadorean Development Finance Company

Ecuador

II - 4

Oct 70

(COFIEC), the National Development Bank, and the Ecuadorean Housing Bank. Ecuador's financial system is rounded out by a group of savings banks, a large number of credit cooperatives, private finance companies, social security funds, and a number of licensed insurance companies.

Although the banking system appears on the surface to be adequate, the development of the economy nevertheless has been impaired by a lack of a well-developed capital market. Short-term credit is readily available for established firms from commercial banks. The development of institutions for medium- and long-term investment financing, however, has lagged behind the needs of the economy, although some improvement has been made.

Foreign trade and balance of payments

In 1969 Ecuador experienced a continuation of the balance of payments difficulties that arose in 1968. Exports in 1969 were estimated at 10% less than in 1968, with all three major commodities—bananas, cacao, and coffee—suffering declines. Because imports declined only marginally, principally because of inflationary pressures, Ecuador ended 1969 with an estimated trade deficit of nearly \$40 million. During the first five months of 1970, exports picked up over 20% from the same period in 1969. The prospect of increasing competition from Central American bananas, however, is likely to keep Ecuador's exports below the 1968 level until at least 1973. By then, the projected initiation of petroleum exports would substantially boost total exports and probably result in a favorable trade balance.

As Ecuador has faced increasingly stiff competition in selling bananas in its traditional markets, the government has turned toward European Communist countries. Ecuador's exports of bananas and other tropical products to the Soviet Union, Bulgaria, East Germany, Hungary, and Romania have been far greater than its imports from these countries. The result has been a steadily growing credit balance that reached \$9.7 million in mid-1969. Since then, however, imports from Communist countries appear to have accelerated.

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5
POLITICAL
AND TRENDS

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

III. POLITICAL SITUATION AND TRENDS

Historical background

Ecuador became independent in 1822 and for eight years joined its two northern neighbors, Colombia and Venezuela, in the Confederation of Gran Colombia. Independence brought few changes in the economic and social structure imposed by Spain, however, and Ecuador continued to be ruled by a small white minority. Political turmoil has marked Ecuador's republican period, with regional and personal rivalries, rather than issues, providing diversity within the ruling elite. The greatest single force in politics has been the succession of strong leaders, or caudillos, and political movements have proliferated around their personalities. The armed forces have frequently been used in the competition for political power. Due in part to this historical background, Ecuador has failed to develop apolitical and fully professional armed forces, to build proper regard for legality and constitutionalism, or to establish strong political institutions.

Structure and functioning of governmental system

Most constitutions have provided for a centralized unitary state under a presidential system with separate executive, legislative, and judicial branches. The struggle for dominance between the executive and legislative branches has been a major factor in Ecuador's history of chronic instability. The latest constitution (the 17th) of 1967 was set aside as unworkable in June 1970 when President Velasco assumed dictatorial powers. Velasco has ruled since under a modified version of the 1946 constitution, and new laws have been issued by decree. The government is currently operating without a congress.

Executive—The President has the power to direct international relations and diplomatic negotiations, appoint or dismiss ministers, governors, and diplomatic representatives, approve and promulgate laws and decrees passed by Congress, and convoke extraordinary sessions of Congress. He also has the right to proclaim a state of siege in part of or throughout the country with the prior approval of Congress if it is in session. The constitution provides that in case of death or disability, the President is succeeded by the Vice President, with the President of Congress and the President of the Chamber of Deputies next in line. All three of these positions, however, appear to have been abolished until Velasco's term of office legally ends in 1972. Leadership of Ecuador's 1,000 or so autonomous agencies is selected jointly by the President and Congress. No stable civil service has developed.

Ecuador

Oct 70

Legislative—The Congress, until closed by President Velasco in June 1970, was composed of a Senate and a Chamber of Deputies. The Senate consisted of two senators from each province and one from the Galapagos Islands, elected by direct popular vote. In addition, 15 senators represented various functional sectors, including the armed forces. Deputies were elected by each province in proportion to population, one for every 80,000 people.

Congress met in ordinary session twice a year for 60-day periods (6 March to 4 May; 10 August to 9 October). In practice most important laws were originated as presidential decrees and later approved or ignored by subsequent sessions of Congress. The legislature was limited to budgetary questions.

Judicial—The Supreme Court exercises a supervisory role over the entire judicial system. Members of the Supreme Court were elected by Congress for 6-year terms. Since June 1970, President Velasco has appointed judges to the Supreme Court. At the lower levels of the judiciary bribery is routine, and at higher levels political influence is keenly felt. Nevertheless, the legal profession is highly respected, and the opinions of the higher court judges in most cases carry much weight.

Local government—Ecuador is administratively divided into provinces, cantons, and parishes, each headed by a presidential appointee. Municipal councils, especially in provincial capitals, have been relatively strong institutions, and their semiautonomous status has been a major factor in orderly government on the local level.

Political dynamics

Political activity remains the preserve of an educated elite of roughly 10% of the population. Within this political arena, the most important single factor has been the cult of the leaders' personalities. Most parties were formed for the express purpose of furthering the political ambitions of a particular leader. This has led to a multiplicity of parties but a scarcity of programs for furthering popular aspirations. Regional rivalry between the coastal and highland areas continues to restrain the development of nationally organized parties.

The most striking example of the leader personality during the past 35 years is the present president, Jose Maria Velasco Ibarra, elected in June 1968 for the fifth time, although he has finished only one of his four previous terms. Velasco's charismatic appeal has been able to cut across

Ecuador

III - 2

Oct 70

25X6

25X6

social, economic, party, and class distinction, [REDACTED]
[REDACTED]

Political parties—The only non-Communist political parties in Ecuador not consistently and directly linked to the political ambitions of one man are the two traditional parties, the Conservative and the Radical Liberal. Both were founded in the 19th Century and tend to represent the highlands and the coastal areas respectively.

Electoral system—The President and Vice President are elected every four years by popular, direct, and secret ballot on the first Sunday in June, and neither may succeed himself in office unless he resigns eight months prior to election. Senators and deputies are elected by direct popular vote for terms of four and two years respectively. All literate Ecuadoreans who are at least 19 years old may vote, with the exception of military officers on active duty.

Ecuador's principal political problem remains the lack of a broad electorate with enough sophistication to want and to recognize rational political leadership dedicated to improving the material well-being of all Ecuadoreans. Although the size of the electorate is growing, the country remains under the control of a white, elite oligarchy with well over half of the population functionally disenfranchised by cultural and economic barriers.

Security system

The police have been generally effective in urban areas and capable of identifying and locating developing insurgent elements and their activities there. The rural police, however, because of lack of manpower and weak intelligence operations, could not control guerrilla activities should any appear.

President Velasco's determination to maintain law and order has provided the police with the authority needed to accomplish their mission. The President has also not hesitated to back up the police with military elements when needed. Plans are under way to expand the police force, which in late 1969 numbered approximately 6,000 men, by an additional 2,100 men by the end of 1970. The police force is receiving assistance from the US Agency for International Development.

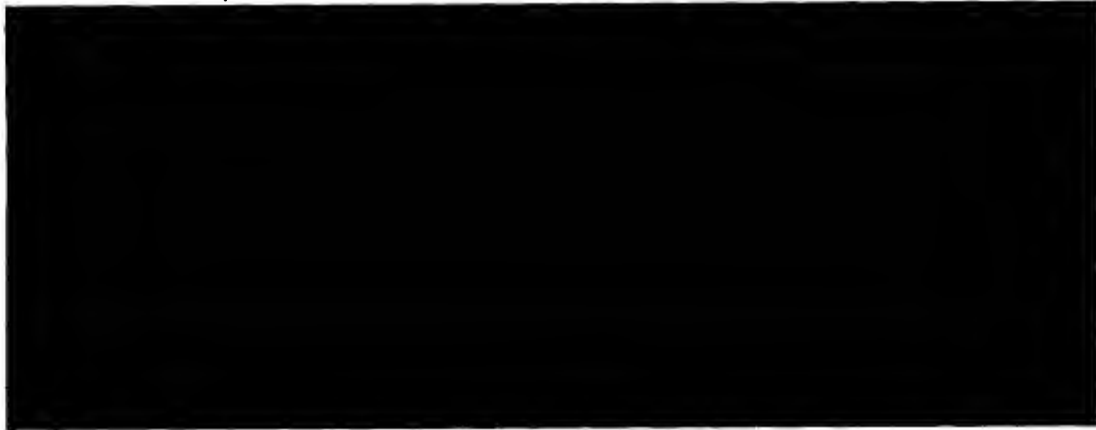
The General Directorate of Security (DGS) is a national investigative organization. It has responsibility for political and criminal investigation and

Ecuador

III - 3

Oct 70

reporting and has powers of arrest, search, and seizure. It has an authorized personnel strength of about 200. It has been used, however, by succeeding administrations for low-level political patronage payoffs.



25X1C

Ecuador

III - 4

Oct 70

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

SUBVERSION

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

IV. SUBVERSION

Political instability has been fostered by social, political, and economic differences and long-standing rivalries and jealousies between those who reside on the coast and those in the capital city of Quito. Economic problems, based on the failure of Ecuador's many governments to deal with widespread poverty, illiteracy, and primitive living conditions, add to the instability. Segments of the largely mestizo middle class, dissatisfied with the slow pace of economic development and the inability to secure employment commensurate with their education and ambitions, are attracted by the "rapid solutions through revolution" espoused by some political extremists.

There are numerous leftist subversive groups, but they are small, divided, and lack the leadership that would give them either a substantial political influence or the capability to overthrow the government by force. These include the two major Communist parties—the soft-line Communist Party of Ecuador (PCE), which follows Moscow's direction, and the smaller hard-line Communist Party of Ecuador Marxist/Leninist (PCE/ML), which favors a violent overthrow of the government. There are also the small Revolutionary Socialist Party of Ecuador (PSRE), which tends to favor a Cuban-style revolution, the small Socialist Party of Ecuador (PSE), and the Movement of the Revolutionary Left (MLR). Although technically illegal, these parties have been allowed relative freedom of operation since the departure of the military junta in 1966.

The Communists have had some success in penetrating such target groups as organized labor and student movements. The Communists have been able to capture the leadership of such organizations as the Confederation of Ecuadorean Workers (CTE), the Federation of Ecuadorean University Students (FEUE), and the Federation of Ecuadorean Secondary Students (FESE), but they have usually been unsuccessful in involving these organizations in situations that lack broad popular support.

In spite of the freedom of subversive groups to operate relatively freely since 1966, the armed forces have assured President Velasco that the subversive threat will not be allowed to get out of hand. Security forces monitor the activities of most extremist groups and have supported the President in periods of crisis.

Subversion leading to the overthrow of the regime has been a historic part of Ecuadorean political life. Most political leaders are forced by circumstances to give at least some consideration to subversion as a method for

Ecuador

Oct 70

achieving political office. In the process, non-Communist politicians often have found it convenient to form alliances with extremist elements and professional revolutionaries.

Ecuador

IV - 2

Oct 70

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

LEADING
PERSONALITIES

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

V. LEADING PERSONALITIES

Chief of state

25X6 Jose Maria Velasco Ibarra: Velasco is well into his fifth term as President of Ecuador. Three of his previous efforts to govern the country were cut short by coups d'etat. The 77-year-old Velasco epitomizes the Latin American phenomenon of personalismo, or gaining power by personal appeal, rather than by ideology or the machinations of party politics. For the Ecuadoreans, Velasco [REDACTED] 25X6 [REDACTED] does not have the support of the powerful oligarchy. During his fifth term President Velasco has enjoyed the support of military leaders.

Ecuadorean cabinet

Minister of Agriculture & Livestock: Vincente Burneo Burneo

Minister of Education: Augusto Solorzano Constantine

Minister of Finance: Jaime Aspiazu Seminario

Minister of Foreign Affairs: Jose Maria Ponce Yopez

Minister of Government: Hector Espinel Chiriboga

Minister of Industries & Commerce: Simon Bustamante Cardenas

Minister of Labor & Social Welfare: Luis Robles Plaza

Minister of National Defense: Jorge Acosta Velasco

Minister of Public Health: Francisco Parra Gil

Minister of Public Works & Communications: Juvenal Saenz Gil

Secretary General of Government: Francisco Diaz Garaycoa

Other prominent politicians

Camilo Ponce Enriquez: Ex-President Ponce (1956-1960) is a respected conservative, who uses the Social Christian Party as his political vehicle. He is

Ecuador

Oct 70

actively seeking support for another try at the presidency in the June 1972 elections.

Otto Arosemena Gomez: Ex-President Arosemena (1966-1968) is another conservative politician, whose ambitions provide the sole reason for existence of the small Democratic Institutional Coalition Party. Although he represents well-established economic interests, Arosemena has used liberality toward labor and anti-US posturing to broaden his political popularity.

Carlos Julio Arosemena: Ex-President Arosemena (1961-1963), who both entered and left office as a result of a coup, is currently a senator from the coastal province of Guayas and leader of the National Revolutionary Party. Arosemena's political rhetoric reflects a mixture of Communist ideas and popular causes calculated to appeal to workers and students and to stir up social turmoil.

Assad Bucaram: Mayor of Guayaquil from 1967 to 1970 and head of the Concentration of Popular Forces, Bucaram has the ability to appeal to discontented elements on the coast, to articulate their aspirations, and to provide honest municipal administration. He won the election for prefect of Guayas Province handily in the June 1970 elections and has already announced his candidacy for the 1972 presidential election.

Influential military leaders

Army Colonel Luis Alberto Jacome Chavez: Until suddenly removed from his position in February 1970, Colonel Jacome had military control over Guayaquil, the country's largest population center. He reportedly heads a clique of army officers that supports President Velasco and apparently has considerable influence over many senior army officers.

General Julio Maria Sacoto Montero: Appointed commander of the army two days after President Velasco assumed dictatorial powers on 22 June 1970, he is a knowledgeable, experienced infantry officer and is considered politically astute.

Colonel Bolivar N. Narvaez Bustos, Chief of Army Logistics

Lieutenant Colonel Bolivar Guerrero Celi, Mechanized Group Commander

Lieutenant Colonel Felipe Santiago Alban Alfaro, Commander of 1st Paratrooper Battalion

Ecuador

V - 2

Oct 70

Lieutenant Colonel Luis Tamayo Rosero, Commanding Officer 1st Infantry Battalion

General Cesar Rohon Sandoval: Air Force commander, he is a brash "activist" who might over-react in a crisis.

Rear Admiral Jorge*Cruz Polanco: Navy commander until late September 1970 when he was appointed chief of the armed forces general staff.

Journalist

Julio Prado: Prado, who was foreign minister under Otto Arosemena, is an articulate spokesman of the center right. His column in *El Tiempo* is indicative of current sentiment in that sector.

Ecuador

V - 3

Oct 70

ARMED FORCES

VI. ARMED FORCES

Organization and manpower

The armed forces of Ecuador consist of an army of 12,325 men, a navy of 1,600 men and 6 patrol ships, and an air force of 1,655 men and 23 jet aircraft.

The missions of the armed forces are to maintain internal security, defend the nation from aggression, and support civic action projects. The armed forces are capable of maintaining internal security in urban areas. They are not capable of defending against external attack, waging aggressive war, or combating guerrillas on a large scale.

There are no paramilitary forces capable of making a substantial contribution to the ground combat strength of the army. The National Civil Police, numbering slightly over 6,000, is subordinate to the Minister of Government. The police receive training and equipment from the US.

In 1969, the military budget amounted to 1.4% of GNP and about 10% of the national budget.

Logistics

The armed forces have a heterogeneous collection of European and US equipment in fair condition, considering its considerable age. Weapons are well maintained. Vehicular maintenance varies from excellent to poor. Vehicles are too few in number and too widely dispersed to contribute significantly to the mobility of infantry units.

Defense agreements

Ecuador is a member of the Inter-American Defense Board and a signatory of the Rio Pact, which provides for collective support of American countries threatened by aggression. In fulfillment of these obligations, Ecuador has entered into a bilateral military agreement with the US, under which it receives US military assistance. Israel has a military assistance team resident in Ecuador, advising on agrarian training within the military establishment.

Ecuador

Oct 70

Training

The armed forces lack the training for sustained combat. Numerous Ecuadorean military personnel have attended service schools in the US Army and Navy line officers are products of their respective service academies, where academic standards are generally high. Air Force officers are often graduates of the Army Academy, the Naval Academy, or the universities and then attend flying school. Only one out of 10 conscripts has completed the third grade because of limited educational facilities. Selected officers have been trained in the US and the Panama Canal Zone, as well as in Brazil, Venezuela, Chile, Argentina, Spain, and West Germany.

Ecuador

VI - 2

Oct 70

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

FOREIGN
RELATIONS

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

VII. FOREIGN RELATIONS

The foreign policy of Ecuador has centered historically on boundary problems arising from the lack of clearly defined frontiers. The country's major preoccupation has been with Peru, largely because of Ecuador's frustrated longing to realize its colonial claims to a portion of the upper Amazon Basin.

Efforts to find a diplomatic solution foundered on Ecuador's unrealistic demand for jungle territory that it had never actually controlled and on Peru's unwillingness to yield anything it had occupied. In July 1941, Peru invaded El Oro Province on the Gulf of Guayaquil. Aware that its own armed forces were no match for the numerically superior Peruvian land and air forces, Ecuador, in order to secure the withdrawal of Peruvian forces from occupied provinces and to avert further encroachments, reluctantly accepted a settlement—the Rio Protocol—at Rio de Janeiro on 29 January 1942, to be guaranteed by Argentina, Brazil, Chile, and the US. Although the Rio Protocol looked to the drawing of a specific boundary, Ecuador has sought to keep its basic claim open. The yearly anniversary of the protocol has become a prime occasion for demonstrations, often Communist-exploited.

The most intractable problem with the US results from Ecuador's efforts to claim and enforce a 200-mile limit in its territorial waters. Ecuador, like Peru and Chile, which have imposed similar limits, considers these waters a valuable source of revenue for its fishing industry and wants to ensure that this resource is not exploited by other maritime nations. As a result, sizable numbers of foreign fishing vessels—mostly from the US—are seized and fined each year, usually leading to protests by the US. Ecuadoreans believe that the US policy of reimbursing US fishermen for fines paid to Ecuador for these violations only encourages further flouting of the law. A quadripartite fishing conference involving Ecuador, Peru, Chile, and the US was held in Buenos Aires in August 1969, but no agreement was reached.

President Velasco's government has moved to establish closer diplomatic relations with several Eastern European countries, including the Soviet Union. The government is apparently motivated by its search for export markets and the President's desire to demonstrate its "independence" of the US. During 1969 the Velasco government re-established or re-activated diplomatic relations with the USSR, Poland, Czechoslovakia, Rumania, and

Ecuador

Oct 70

Yugoslavia. Consular relations with Bulgaria were established in July 1969, and diplomatic relations with Hungary were formalized in January 1970. In most cases, ambassadors have not yet been exchanged, and the Polish and Rumanian ambassadors in Caracas are accredited in Quito. All these countries already have or, like East Germany, plan soon to open trade missions or consulates in Quito.

Ecuador

VII - 2

Oct 70

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

VIII. US INTERESTS

Private US investment in Ecuador was about \$60 million in 1968. Subsequent figures are not available, but in the interim the International Telephone and Telegraph Company subsidiary has been nationalized and compensation is still being negotiated. In addition, US banana companies and firms such as W. R. Grace have begun to withdraw. These reductions will be more than offset by the investment of US oil companies in their holdings in eastern Ecuador. The Texaco-Gulf consortium, the only enterprise past the exploratory stage, will have invested about \$225 million in equipment, a 300-mile pipeline, and other costs by the time its wells are projected to go into production in 1972.

The US provides about one third of Ecuadorean imports, but the proportion is falling steadily. Japan, Canada, and Western Europe are all improving their position in the Ecuadorean market, and this is being matched by increased share of investment.

Between 1946 and 1969, the US provided Ecuador \$259 million in economic aid, \$170 million in loans and \$89 million in grants. In the same period, military assistance amounted to \$32 million. In fiscal 1969, Ecuador received \$13 million in economic aid and \$2.6 million in military aid.

US military commitments to Ecuador are those covered by the general inter-American agreements, including the Rio de Janeiro Pact of 1947, the Inter-American Treaty of reciprocal military assistance. The several agreements covering military advisers to the Ecuadorean armed forces are now under revision, and the number of such advisers as well as the military aid is expected to decline considerably in the near future.

Ecuador

Oct 70

T A B L E S

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

Approved For Release 2001/07/16 : CIA-RDP79-00891A000700010001-5

SECRET
No Foreign Dissem

IX. CHRONOLOGY AND TABULAR DATA

Chronology of Key Events

- | | |
|------|---|
| 1941 | (July-August) Ecuador suffers humiliating military defeat by Peru in border war. |
| 1942 | (29 January) Protocol signed at Rio de Janeiro defining the disputed borders with Peru and providing for their definitive demarcation under the guarantee of Chile, Argentina, Brazil, and the United States. |
| 1944 | (May) Coup returns Jose Maria Velasco Ibarra to power. |
| 1946 | (December) New constitution promulgated. |
| 1947 | (August) Velasco ousted by military coup.

(September) Carlos Julio Arosemena declared interim president by Congress. |
| 1948 | (June) Galo Plaza Lasso, candidate of an ad hoc political coalition, elected president in one of the rare fair national elections in the nation's history. |
| 1952 | (June) Velasco Ibarra, candidate of the National Velasquista Movement, elected president; first transfer of power by an elected president to an elected successor in over three decades. |
| 1955 | (September) Ecuador appeals to OAS for protection against Peru; investigation reveals that charges of impending invasion were without merit. |
| 1956 | (June) Camilo Ponce Enriquez elected president; the first Conservative to be elected to the office in 60 years. |
| 1960 | (June) Velasco Ibarra elected president for fourth time.

(September) Velasco declares Rio Protocol null and void on grounds it was imposed on Ecuador by force. |

Ecuador

Oct 70

No Foreign Dissem
SECRET

(December) The four guarantor powers of the Rio Protocol rule that Ecuador cannot unilaterally renounce a valid international instrument; serious anti-US demonstrations break out in Ecuador to protest declaration.

1961 (November) Velasco ousted by popular and military action; replaced by leftist vice-president Carlos Julio Arosemena (son of previous president with same name).

1962 (April) On insistence of the military, Arosemena severs relations with Czechoslovakia, Poland, and Cuba.

1963 (July) Arosemena—[REDACTED] lenient toward Communists—ousted by armed forces; military junta takes power.

25X6

1966 (30 March) Junta resigns following widespread agitation by politicians, students and vested business interests; Clemente Yerovi Indaburu named interim president.

(15 October) Direct popular elections held for 79-man constituent assembly.

(16 November) Otto Arosemena Gomez elected interim constitutional president by constituent assembly.

1967 New constitution adopted: Arosemena term extended to 1 September 1968; national elections scheduled.

1968 (2 June) Jose Maria Velasco Ibarra elected in close three way presidential race. Bicameral legislature also elected: nearly equally divided among Velasquistas, center-left coalition, and center-right coalition.

(10 August) New congress convenes with working agreement between Velasquistas and center-leftists providing a majority cooperative with incoming president.

(1 September) Jose Maria Velasco Ibarra becomes president for fifth time in final phase of full return to constitutional government.

1970 (22 June) President Velasco assumed extra-constitutional power in the face of a continuing financial crisis and student disorders. Congress closed and a modified version of the 1946 constitution re-imposed.

Ecuador

IX - 2

Oct 70

TABULAR DATA

Holidays and Significant Dates

29 January	Rio Protocol Day
1 May	Labor Day
24 July	Birthday of Simon Bolivar
10 August	Quito Independence Day, traditional opening of congress
9 October	Guayaquil Independence Day

Selected Factual Data

LAND

106,000 sq. mi., including Galapagos Islands; 11% cultivated; 8% meadows and pastures; 55% forested; 26% waste, urban, or other (1961)
Limits of territorial waters: 200 n. mi.

PEOPLE

Population: 6,092,000 (excluding nomadic Indian tribes); males 15-49, 1,381,000; 880,000 fit for military service; average number reaching military age (20) annually 57,000

Ethnic divisions: 41% mestizo, 39% Indian, 10% white, 5% Negro, 5% oriental and other

Religion: 95% Roman Catholic (majority nonpracticing), trace of Evangelical

Language: Spanish, Quechua

Literacy: 57%

Labor force: 2 million, of which 55% agriculture, 16% manufacturing, 4% construction, 7% trade, 9% services, 9% other; shortage of skilled labor

Organized labor: 12% of labor force

GOVERNMENT

Legal name: Republic of Ecuador

Capital: Quito

Political subdivisions: 19 provinces and one territory (Galapagos Islands)

Type: unitary republic

Legal system: based on civil law system; modified 1946 constitution replaced 1967 constitution in June 1970; legal education at four state and

Ecuador

IX - 3

Oct 70

two private universities; has not accepted compulsory ICJ jurisdiction

Branches: President and bicameral legislature elected in June 1968, under 1967 constitution; legislature closed following assumption of dictatorial power by Velasco on 22 June 1970; judiciary

Government leader: President Jose Maria Velasco

Suffrage: all literate over age 18; compulsory

Elections: next presidential, June 1972

Political parties and leaders: National Velasquista Front, Jose Maria Velasco; Radical Liberal Party, Adolfo and Francisco Huerta, Jorge Zavala; Social Christian Party, Camilo Ponce; Conservative Party, Manuel Jijon-Camaano and Galo Pico Mantilla; Concentration of Popular Forces, Assad Bucaram; National Revolutionary Party, Carlos Julio Arosemena

Voting strength: in June 1968 national elections, Velasquistas, a center-left coalition, and a rightist coalition each got approximately one-third

Communists: 500 in three parties plus 400 in pro-Castro Revolutionary Socialist Party, 400 youth, 3,000 sympathizers

Member of: U.N. (ECOSOC, IAEA), OAS, IADB, LAFTA and Andean Sub-Regional Group (formed in May 1969 within LAFTA)

ECONOMY

GNP: \$1.4 billion (est. 1968), \$260 per capita; 88% consumption, 12% gross investment (est. 1968); 1968 real growth rate, 4% (est.)

Agriculture: main crops — sugarcane, beans, coffee, cotton, corn, bananas, cocoa, rice; nearly self-sufficient; caloric intake, 2,100 calories per day per capita (1964)

Major industries: food processing, textiles, cement, leather and rubber products, drugs, fishing

Electric power: 220,000 kw. capacity (1968 est.); 690 million kw.-hr. produced (1967); 130 kw.-hr. per capita (1967)

Exports: \$224 million (f.o.b., 1968, est.); bananas, coffee, cocoa

Imports: \$235 million (f.o.b., 1968, est.); agricultural and industrial machinery, petroleum products, chemical products, transportation and communication equipment

Trade: Exports to Eastern Europe and USSR amounted to \$24.1 million or about 11% of total exports in 1968, but decreased in value in 1969 to \$14.2 million; imports from the Communist countries amounted to \$9.8 million in 1969

Aid: Economic—extensions from U.S. (FY46-69), \$169.9 million loans, \$89.4 grants; from international organizations (FY46-68), \$130.3 million; from Communist countries (1954-68), \$10 million loans

Military—assistance from U.S. (FY49-69), 52.0 million

Monetary conversion rate: 25 sucres=US\$1 (August 1970)
Fiscal year: calendar year

COMMUNICATIONS

Railroads: 710 mi.; 615 mi. 3'6" gage, 95 mi. 2'5½" gage; all single track; government owned (1965)
Highways: 11,910 mi.; 1,120 mi. paved, 3,490 mi. gravel, 2,780 mi. improved earth, 4,520 mi. unimproved earth
Inland waterways: 960 mi.
Pipelines: crude oil, 27 mi.; refined products, 50 mi.
Ports: 1 principal (Guayaquil), 1 secondary, 11 minor
Merchant marine: 8 ships (1,000 GRT or over) totaling 40,000 GRT, 45,600 DWT; includes 6 cargo, 2 tanker
Civil air: 13 major transport aircraft
Airfields: 180 total, 163 usable; 11 with permanent-surface runways; 4 with runways 8,000-11,999 ft.; 18 with runways 4,000-7999 ft.; 3 seaplane stations
Telecommunications: expanding radio relay system, facilities adequate only in Quito and Guayaquil; 80,000 telephones; 650,000 radio and 55,000 TV receivers, 230 AM, 30 FM, and 8 TV stations; 4 old telegraph submarine cables

DEFENSE FORCES

Personnel: army 12,325, navy 2,600 (including 250 marines), air force 1,655 (101 pilots)
Major ground units: 6 divisions, 4 separate battalions
Ships: 2 patrol escorts (plus 1 inactive), 4 other patrol ships and craft, 3 amphibious warfare ships (plus 1 inactive), 3 auxiliaries, 10 service craft
Aircraft: 70 (23 jet) in air force, 1 (prop) in navy
Supply: dependent primarily on U.S.; some supplies from Western Europe
Military budget: for fiscal year ending 31 December 1969, \$22,222,000; about 9.9% of national budget

25X1C

Ecuador

IX - 5

Oct 70

National Intelligence Survey (NIS) Material

87/GS	General Survey	9/68
87/22	Coasts & Landing Beaches	6/54
87/23	Weather & Climate	5/56
87/23S	Meteorological Orgn. & Facilities	6/68
87/24	Topography	6/65
87/25	Urban Areas	5/60
87/31	Railroads	1/62
87/32	Highways	4/64
87/33	Inland Waterways	4/56
87/36	Merchant Marine	1/58
87/38	Telecommunications	3/68
87/41	Population	9/68
87/44	Manpower	7/64
87/45	Health & Sanitation	2/68
87/56	Intelligence & Security	4/63
87/57	Subversion & Insurgency	5/70
87/61	Agriculture, Fisheries, & Forestry	6/63
87/63	Minerals & Metals	11/62
87/64	Manufacturing & Constr.	3/64
87/65	Trade & Finance	8/63
87/GZ	Gazetteer	5/57

MAP

The best available general reference map s: *Mapa Especial Carreteras Principales del Ecuador*; 1:1,000,000; 1966.

Ecuador

IX - 6

Oct 70

Secret

Secret

~~SECRET~~

PRES

(2)

25X1

100

No. 0562
May 1972

Update of Ecuador Handbook

Please replace the October 1970 edition of the Ecuador Handbook with the attached. Please retain the cover, dividers and map.

25X1

~~SECRET~~

SECRET

25X1

TABLE OF CONTENTS

Page

INTRODUCTION

I. GEOGRAPHY

Location	1
Area	1
Climate	1
Topography	1
Natural resources	1
Human resources	2

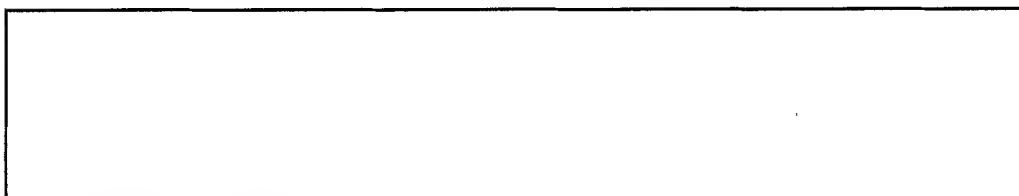
II. ECONOMIC BACKGROUND

Growth rates and trends	1
Main sectors of the economy	1
Transportation and telecommunications	2
Government economic policy and financial system	3
Foreign trade and balance of payments	4

III. POLITICAL SITUATION AND TRENDS

Historical background	1
Structure and functioning of governmental system	1
Political dynamics	2
Security system	2

IV. SUBVERSION



25X6

VI. ARMED FORCES

Organization and manpower	1
Logistics	1
Defense agreements	1
Training	2

Ecuador

i

May 72

25X1

SECRET

25X1



VII. FOREIGN RELATIONS

VIII. US INTERESTS

IX. CHRONOLOGY AND TABULAR DATA

MAP

Ecuador

ii

May 72



SECRET

25X1

~~SECRET~~

25X1

INTRODUCTION

25X6

On 15 February 1972 the armed forces removed President Jose Maria Velasco Ibarra and assumed control of the government. It was Velasco's fourth ouster in five terms as president. Army commander General Guillermo Rodriguez Lara became president with little idea of what policies he would follow. There was no initial opposition to the coup, but Rodriguez may have trouble reconciling the demands of reformers with Ecuador's resources.

Ecuador is one of the poorest and least developed countries in Latin America. The country has basically an agrarian society, with agriculture employing about 55% of the labor force and accounting for about one third of the gross domestic product. Bananas, coffee, and cacao provide 85% of Ecuador's exports. This situation is about to change, however. Petroleum fields in northeastern Ecuador are expected to begin producing this year, and a pipeline is under construction to carry the oil to the coast. Production will more than meet domestic needs and will become an important source of foreign exchange. Ecuadorean expectations may have become inflated, however, and there is certain to be controversy between the government and the foreign companies producing the oil.

About 43% of the estimated population of 6,412,000 is illiterate, and it is estimated that as little as 50% of the population participates in the money economy.

The Ecuadorean armed forces total almost 25,000 men and are untrained for sustained combat. Military equipment is generally in fair condition, but obsolete and not standardized.

Ecuador

iii

May 72

~~SECRET~~

25X1

~~SECRET~~

25X1

I. GEOGRAPHY

Location

Ecuador is situated on the equator on the northwestern coast of South America between Colombia and Peru and includes the Galapagos Islands 600 miles to the west. The Pacific coastline extends 640 miles and Ecuador claims territorial jurisdiction and fishing rights out to 200 nautical miles from its seacoast.

Area

Including the Galapagos Islands, the country has an area of approximately 106,000 square miles. It is slightly larger than the state of Colorado, and in South America is the third smallest of the independent countries, after Uruguay and Guyana.

Climate

The climate of Ecuador is as diversified as its topography. Temperatures are warm to hot on the coastal and interior lowlands, moderate on the lower slopes of the Andes and on the intermountain basins, and cold at the higher elevations. Quito, at an elevation of 9,246 feet, has an average temperature in the sixties throughout the year. In general, Ecuador is cloudy and humid, with moderate to heavy amounts of precipitation except in some nearly arid coastal areas. Mean monthly precipitation in Quito reaches a high of seven inches in April and a low in July of less than one inch.

Topography

The mainland consists of three distinct topographic regions: a tropical lowland in the east, an irregular belt of plains and hills along the coast in the west, and separating these two areas, a broad band of north-south trending highlands containing volcano-studded mountain ranges that rise to about 13,000 feet in the south and to over 18,000 feet in the north. The ranges enclose a series of elevated basins. The Galapagos Islands are made up of several large and many small, generally arid, volcanic islands and islets.

Natural resources

Ecuador has only a small amount of arable land, most of it in two agriculturally rich areas. The more fertile but less effectively used zone is

Ecuador

May 72

25X1

~~SECRET~~

~~SECRET~~

25X1

along the Pacific coast. In its central provinces of Los Rios and Guayas, where rainfall is adequate, virtually every type of tropical product can thrive. The other agricultural area is the highlands, where temperate crops and some high-altitude tropical crops are grown.

Large petroleum reserves have been discovered in the northeast. Some estimates suggest that Ecuador eventually could replace Venezuela as a leading oil exporter, although there are conflicting reports about the sulphur content of the Ecuadorean deposits. The oil fields should begin producing in 1972. Small quantities of gold and silver are produced, and an undetermined amount of copper reserves has been found in southern Ecuador.

Forestry is relatively undeveloped. There are vast timber reserves, but these are located primarily in largely unexplored tropical rain forests in the eastern lowland and northern coastal area, where access is difficult.

Abundant off-shore fish resources, mainly tuna and shrimp, support a fast-growing industry that is already overtaking some traditional tropical crops as a foreign exchange earner.

Human resources

The estimated population in January 1972 was 6,412,000, with an annual growth rate of about 3.4%. The infant mortality rate is estimated at 99 per 1,000, and life expectancy is estimated at 55 years for men and 58 for women. Ethnically, about 41% of the population is mestizo, 39% Indian, 10% white, 5% black, and 5% oriental and other. The great majority of the Indians live in the highlands, the whites and mestizos in the provincial capitals and Quito, and almost all of the blacks, mulattoes, and Asians on the coast. There has been a marked migration from rural areas, principally to the provinces of Guayas and Pichincha, where the cities of Guayaquil and Quito are located. The labor force is estimated at two million; about 12% is organized. About 57% of the population is estimated to be literate. Spanish is the official language, but there is a large Quechua-speaking Indian linguistic minority.

Ecuador

1 - 2

May 72

25X1

~~SECRET~~

~~SECRET~~

25X1

of the export crops—corn, wheat, barley, beans, potatoes, and cassava. The typical farm is five hectares or smaller, adequate at best for subsistence agriculture. Only 2% of the farms have more than 100 hectares, but these occupy 60% of the farm land. Although bananas are the principal export, Ecuador has encountered increasing competition in recent years because of its remoteness from the main markets, poor production and marketing techniques, and a late start in changing over to the new Cavendish variety. These disadvantages, however, are offset by relative freedom from the Panama disease and hurricanes, which devastate competitive areas from time to time.

Foreign exchange earnings from Ecuador's other major agricultural export—coffee—registered a sharp decline in 1971 to \$36 million after reaching \$50 million in 1970. Export earnings from cacao, the third most important export, rose \$3 million in 1971 to \$25 million.

The country has a small but growing fishing industry. Foreign exchange earnings from exports of fish products, mainly tuna and shrimp to the US, rose from \$4 million in 1966 to \$14.6 million in 1971, overtaking sugar in importance as an export product.

Manufacturing is the second most important sector, producing about 17% of GDP, and has been one of the fastest growing sectors of the economy. Food processing, beverages, and textiles are the most important activities.

Ecuador's newly discovered petroleum resources will not only satisfy domestic crude oil needs, but also will enable the country to export about 250,000 barrels per day by mid-1973. Petroleum exports should relieve balance of payments strains, ease chronic budget problems, and help finance new public investment.

In 1970 the mining of metals and minerals accounted for only about 2% of GDP. Small amounts of gold, silver, copper, lead, and zinc are mined. Clay, ocher, salt, construction materials, and sulfur are the only non-metallic minerals produced.

The development of new electric power capacity has lagged behind consumption growth—an average 10% annually in recent years.

Transportation and telecommunications

The transportation and telecommunications systems are minimal and generally of low quality. What facilities exist are almost exclusively in the western half of the country.

Ecuador

II - 2

May 72

~~SECRET~~

25X1

25X1

Highways are by far the most important medium of transport, despite the general inferiority of the 12,800-mile network. The road pattern consists essentially of the Pan American Highway, which runs 703 miles from the northern to the southern border, and a number of east-west roads from Pacific ports to various centers in the interior.

The state-owned railroad—710 miles of narrow gauge, single track—is badly managed and in poor condition.

Almost all foreign trade leaves Ecuador by ocean shipping. The Ecuadorean-flag merchant fleet, however, carries only about 6-8% of the volume. The all-diesel-powered fleet is composed of six cargo ships and two tankers. There are 13 ports, one principal, one secondary, and 11 minor. Exporting from Guayaquil, which far exceeds that of all other ports, totals over one million tons a year and consists of bananas, rice, sugar, coffee, cacao, balsa, and Panama hats. The government is planning to set up a shipping company to handle 50% of the petroleum exports.

A well-developed civil air network crosses the rugged terrain between the coastal areas and the population centers of the mountains. Ecuador is linked to most of the major cities of the Americas by regularly scheduled flights both of foreign air carriers and its own two international airlines. Maintenance at civilian airfields is inadequate, although military airfields are generally in good to excellent condition.

The national telecommunication network does not provide adequate service to the government, commercial activities, or the public, and many private firms have had to develop their own systems. Although the open wire network is much more extensive, the growing radio-relay system is assuming increased importance as the primary means of intercity telecommunications. Most of Ecuador's international service was furnished by the All American Cable and Radio Corporation (AACR), a subsidiary of International Telephone and Telegraph. In early 1970, the government nationalized AACR. Nearly all broadcast stations are commercially operated. In 1971 there were about 200 AM stations, 15 FM, and 11 TV stations licensed to operate with an estimated 650,000 radios and 70,000 television sets.

Government economic policy and financial system

The Ecuadorean Government exercises a moderate degree of influence over the economy through public enterprises and various types of controls.

Ecuador

II - 3

May 72

25X1

SECRET

25X1

[REDACTED]

In 1970 there were over 1,000 autonomous and decentralized agencies. Under the dictatorial powers assumed by President Velasco on 22 June 1970, the government took direct control over some of these agencies in a sweeping effort to modernize the inefficient fiscal structure. Prior to this the central government retained only about two thirds of the revenues it collected, the rest being transferred to these agencies.

Economic policy since the early 1950s has been directed toward the rapid development of the coastal area through public investments in infrastructure, notably highways and port facilities. The rapid growth of banana exports during the 1950s through the mid-1960s raised public sector revenues and provided the financial means to increase government expenditures. Since that time, however, the government's chronic financial difficulties have adversely affected public investment in infrastructure facilities. Shortly after taking office, the finance minister of the Rodriguez government announced that the Velasco administration had left the country's finances in chaos and that another large budget deficit was in prospect unless spending was reduced.

Economic development has relied heavily on private enterprise. Government action has been more direct and effective in stimulating both foreign and private investment in manufacturing than in agriculture.

The banking system consists of the Central Bank, private commercial banks (including mortgage banks and branches of foreign banks), and several specialized banking and credit institutions. Among the specialized institutions are the government-owned National Financial Corporation, the privately owned Ecuadorean Development Finance Company (COFIEC), the National Development Bank, and the Ecuadorean Housing Bank. Ecuador's financial system is rounded out by a group of savings banks, a large number of credit cooperatives, private finance companies, social security funds, and a number of licensed insurance companies.

The development of the economy has been impaired by a lack of a well-developed capital market. Short-term credit is readily available for established firms from commercial banks. The development of institutions for medium- and long-term investment financing, however, has lagged behind the needs of the economy, although some improvement has been made.

Foreign trade and balance of payments

In 1971 Ecuador experienced serious balance-of-payments problems. Although exports rose an estimated 8%, imports increased 11%, resulting in a

Ecuador

II - 4

May 72

25X1

[REDACTED]

SECRET

25X1

~~SECRET~~

\$40-million foreign trade deficit and strong pressure on foreign exchange reserves. Net foreign exchange reserves declined sharply from \$56 million at the end of 1970 to \$25 million at the close of 1971, the lowest year-end reserve position since 1949. Just before Velasco's ouster, his government successfully concluded negotiations with a consortium of US commercial banks for a \$50-million loan, but the Rodriguez government has been unable to follow through on the deal.

As Ecuador has faced increasingly stiff competition in selling bananas in its traditional markets, the government has turned toward European Communist countries. Ecuador's exports of bananas and other tropical products to the Soviet Union, Bulgaria, East Germany, Hungary, and Romania have been far greater than its imports from those countries. The result has been a steadily growing credit balance with them that totaled \$9.6 million at the beginning of 1971.

Ecuador

II - 5

May 72

25X1

~~SECRET~~

25X1

III. POLITICAL SITUATION AND TRENDS

Historical background

Ecuador became independent in 1822 and for eight years joined its two northern neighbors, Colombia and Venezuela, in the Confederation of Gran Colombia. Independence brought few changes in the economic and social structure imposed by Spain, however, and Ecuador continued to be ruled by a small white minority. Political turmoil has marked Ecuador's republican period, with regional and personal rivalries, rather than issues, providing diversity within the ruling elite. The greatest single force in politics has been the succession of strong leaders, or caudillos, and political movements have proliferated around their personalities. The armed forces have frequently been used in the competition for political power. Due in part to this historical background, Ecuador has failed to develop a political and fully professional armed forces, to build proper regard for legality and constitutionalism, or to establish strong political institutions.

Structure and functioning of governmental system

When the armed forces took power in February 1972, President Rodriguez announced the reinstitution of the Constitution of 1945. This document was drawn up under leftist auspices and gives the legislative branch relatively strong power. Under the present government, a three-member government council is supposed to exercise legislative power, but Rodriguez has generally ignored the council. President Rodriguez exercises executive power with the advice of a cabinet composed primarily of military men. Government decisions are announced by decree over Rodriguez' signature.

The Supreme Court supervises the judicial system. At the lower levels of the judiciary bribery is routine, and at higher levels political influence is keenly felt. Nevertheless, the legal profession is highly respected, and the opinions of the higher court judges in most cases carry much weight. In March 1972 the judicial system was reorganized; other changes are expected by the end of the year.

Ecuador is administratively divided into provinces, cantons, and parishes, each headed by a presidential appointee. Municipal councils, especially in provincial capitals, have been relatively strong institutions, and their semiautonomous status has been a major factor in orderly government on the local level.

Ecuador

May 72

25X1

SECRET

SECRET

25X1

Political dynamics

Political activity remains the preserve of an educated elite consisting of roughly 10% of the population. Within this political arena, the most important single factor has been the cult of the leaders' personalities. Most parties were formed for the express purpose of furthering the political ambitions of a particular leader. This has led to a multiplicity of parties but a scarcity of programs for furthering popular aspirations. Regional rivalry between the coastal and highland areas continues to restrain the development of nationally organized parties.

The most striking example of the leader personality during the past 35 years has been Jose Maria Velasco Ibarra, who has been ousted from the presidency four of the five times he has held the office. Velasco's charismatic appeal has been able to cut across social, economic, party, and class distinction, [REDACTED]

25X6

Political parties—The only non-Communist political parties in Ecuador not consistently and directly linked to the political ambitions of one man are the two traditional parties, the Conservative and the Radical Liberal. Both were founded in the 19th century and tend to represent the highlands and the coastal areas respectively. Political parties did not oppose the coup of February 1972.

Ecuador's principal political problem remains the lack of a broad electorate with enough sophistication to want and to recognize rational political leadership dedicated to improving the general material well-being. Although the size of the electorate is growing, the country remains under the control of a white, elite oligarchy with well over half of the population functionally disenfranchised by cultural and economic barriers.

Security system

The police have been generally effective in urban areas and capable of identifying and locating developing insurgent elements and their activities there. The rural police, however, because of lack of manpower and weak intelligence operations, could not control any guerrilla activities that might appear.

President Velasco undertook an expansion and upgrading of the police force. Even so, corruption continues, and the police force still lacks cohesion and effectiveness.

Ecuador

III - 2

May 72

25X1

SECRET

25X1

Approved For Release 2002/05/07 : CIA-RDP79-00891A001100120001-8

Approved For Release 2002/05/07 : CIA-RDP79-00891A001100120001-8

25X1

IV. SUBVERSION

Political instability has been fostered by social, political, and economic differences and long-standing rivalries and jealousies between residents of the coast and those of the capital city of Quito. Economic problems, based on the failure of Ecuador's many governments to deal with widespread poverty, illiteracy, and primitive living conditions, add to the instability. Segments of the largely mestizo middle class, dissatisfied with the slow pace of economic development and unable to secure employment commensurate with their education and ambitions, are attracted by the "rapid solutions through revolution" espoused by some political extremists.

There are numerous leftist subversive groups, but they are small and divided and lack the leadership that would give them either a substantial political influence or the capability to overthrow the government by force. These include the two major Communist parties—the soft-line Communist Party of Ecuador (PCE), which follows Moscow's direction, and the smaller hard-line Communist Party of Ecuador Marxist/Leninist (PCE/ML), which favors violent overthrow of the government. There are also the small Revolutionary Socialist Party of Ecuador (PSRE), which tends to favor a Cuban-style revolution, the small Socialist Party of Ecuador (PSE), and the Movement of the Revolutionary Left (MIR). Although technically illegal, these parties have been allowed relative freedom of operation since 1966.

The Communists have had some success in penetrating such target groups as organized labor and student movements. The Communists have been able to capture the leadership of such organizations as the Confederation of Ecuadorean Workers (CTE), the Federation of Ecuadorean University Students (FEUE), and the Federation of Ecuadorean Secondary Students (PESE), but they have usually been unsuccessful in involving these organizations in situations that lack broad popular support.

Subversion leading to the overthrow of the regime has been an historic part of Ecuadorean political life. Most political leaders are forced by circumstances at least to consider subversion as a method for achieving office. In the process, non-Communist politicians often have formed alliances of convenience with extremist elements and professional revolutionaries.

Ecuador

May 72

SECRET

25X1

25X6

Approved For Release 2002/05/07 : CIA-RDP79-00891A001100120001-8

Next 1 Page(s) In Document Exempt

Approved For Release 2002/05/07 : CIA-RDP79-00891A001100120001-8

VI. ARMED FORCES

Organization and manpower

The armed forces of Ecuador consist of an army of about 20,000 men, a navy of 1,600 men and 6 patrol ships, and an air force of 1,655 men and 23 jet aircraft.

The missions of the armed forces are to maintain internal security, defend the nation from aggression, and support civic action projects. The armed forces are capable of maintaining internal security in urban areas. They are not capable of defending against external attack, waging aggressive war, or combating guerrillas on a large scale.

There are no paramilitary forces capable of contributing substantially to army ground combat strength. The National Civil Police, numbering slightly over 6,000, is subordinate to the minister of government. The police receive training and equipment from the US.

The military budget for the fiscal year ending 31 December 1971 was \$22.9 million, about 11% of the total budget.

Logistics

The armed forces have a heterogeneous collection of European and US equipment in fair condition, considering its age. Weapons are well maintained. Vehicle maintenance varies from excellent to poor, and vehicles are too few and too widely dispersed to add significantly to the mobility of infantry units.

Defense agreements

Ecuador is a member of the Inter-American Defense Board and a signatory of the Rio Pact, which provides for collective support of American countries threatened by aggression. An Israeli military assistance team advises on agrarian training within the military establishment.

Training

The armed forces lack the training for sustained combat. Numerous Ecuadorean military personnel have attended service schools in the US.

Ecuador

May 72

SECRET

[REDACTED]

Army and Navy line officers are products of their respective service academies, where academic standards are generally high. Air Force officers often graduate from the Army Academy, the Naval Academy, or the universities and then attend flying school. Only one out of ten conscripts has completed the third grade because of limited educational facilities. Selected officers have been trained in the US and the Panama Canal Zone, as well as in Brazil, Venezuela, Chile, Argentina, Spain, and West Germany.

Now that the armed forces have seized control of the government, they are trying to expand their expertise in economic and social sciences. Even before the coup, several officers had been sent abroad for training in petroleum matters to enable the military to keep track of petroleum operations. This trend is expected to continue.

Ecuador

VI - 2

May 72

25X1

[REDACTED]

SECRET

25X1

VII. FOREIGN RELATIONS

Ecuadorean foreign policy has centered historically on boundary problems arising from the lack of clearly defined frontiers. The major preoccupation has been with Peru, largely because of Ecuador's frustrated longing to realize its claims, based on colonial Spanish territorial divisions, to a portion of the upper Amazon Basin.

Efforts to find a diplomatic solution foundered on Ecuador's unrealistic demand for jungle territory that it had never actually controlled and on Peru's unwillingness to yield anything it had occupied. In July 1941, Peru invaded El Oro Province on the Gulf of Guayaquil. Aware that its own armed forces were no match for the Peruvians, Ecuador, in order to secure the withdrawal of Peruvian forces from occupied provinces and to avert further encroachments, reluctantly accepted a settlement—the Rio Protocol—at Rio de Janeiro on 29 January 1942, to be guaranteed by Argentina, Brazil, Chile, and the US. Although the Rio Protocol looked to the drawing of a specific boundary, Ecuador has sought to keep its basic claim open. The anniversary of the protocol has often been the occasion for demonstrations.

The most intractable problem with the US results from Ecuador's efforts to claim and enforce a 200-mile limit in its territorial waters. Ecuador, along with Peru and Chile, considers these waters valuable to its fishing industry and wants to ensure that this resource is not exploited by other maritime nations. As a result, sizable numbers of foreign fishing vessels—mostly US—are seized and fined each year, usually leading to protests by the US. Ecuadoreans believe that Washington's policy of reimbursing US fishermen for fines paid to Ecuador for these violations only encourages further flouting of the law. US legislation requires that foreign military sales be suspended for one year following such seizures, and this action has strained relations between the two countries.

President Velasco's government established closer diplomatic relations with the Soviet Union and several Eastern European countries. During 1969 Velasco re-established or re-activated diplomatic relations with the USSR, Poland, Czechoslovakia, Romania, and Yugoslavia. Consular relations with Bulgaria were established in July 1969, and diplomatic relations with Hungary were formalized in January 1970. In most cases, ambassadors have not yet been exchanged, and the Polish and Romanian ambassadors in Caracas are accredited to Quito. All these countries already have or, like East Germany, plan soon to open trade missions or consulates in Quito. In 1972 Ecuador broke diplomatic relations with Nationalist China, but no formal ties have been established with Peking.

Ecuador

May 72

25X1

SECRET

25X1

~~SECRET~~

VIII. US INTERESTS

The primary US economic interest in Ecuador is the large private investment in the petroleum fields in the east. At mid-1972 this investment totaled about \$300 million, mostly by the Texaco-Gulf consortium. Part of this investment is in a 300-mile pipeline from the oil fields to Esmeraldas, where a deep-water port and crude oil storage facilities are being constructed.

The US provides about one third of Ecuadorean imports, but the proportion is falling steadily. Japan, Canada, and Western Europe are all improving their positions in the Ecuadorean market, and are taking an increased share of direct investment.

Between 1946 and 1970, the US provided Ecuador \$287 million in economic aid—\$192 million in loans and \$95 million in grants. In the same period, US military assistance amounted to \$54 million.

US military commitments to Ecuador are those covered by the general inter-American agreements, including the Rio de Janeiro Pact of 1947 and the Inter-American Treaty of reciprocal military assistance.

Ecuador

May 72

25X1

~~SECRET~~

SECRET

25X1

IX. CHRONOLOGY AND TABULAR DATA

Chronology of Key Events

- 1941 (July-August) Ecuador suffers humiliating military defeat by Peru in border war.
- 1942 (29 January) Protocol signed at Rio de Janeiro defining the disputed borders with Peru and providing for their definitive demarcation under the guarantee of Chile, Argentina, Brazil, and the United States.
- 1944 (May) Coup returns Jose Maria Velasco Ibarra to power.
- 1946 (December) New constitution promulgated.
- 1947 (August) Velasco ousted by military coup.
- (September) Carlos Julio Arosemena declared interim president by Congress.
- 1948 (June) Galo Plaza Lasso, candidate of an ad hoc political coalition, elected president in one of the country's rare fair national elections.
- 1952 (June) Velasco Ibarra, candidate of the National Velasquista Movement, elected president; first transfer of power by an elected president to an elected successor in more than three decades.
- 1956 (June) Camilo Ponce Enriquez elected president; the first Conservative elected to the office in 60 years.
- 1960 (June) Velasco Ibarra elected president for fourth time.
- 1961 (November) Velasco ousted by popular and military action; replaced by leftist vice president Carlos Julio Arosemena (son of previous president with same name).
- 1963 (July) Arosemena- [redacted] lenient toward Communists—ousted by armed forces; military junta takes power.

25X6

Ecuador

May 72

25X1

SECRET

SECRET

25X1

- 1966 (30 March) Junta resigns following widespread agitation by politicians, students and vested business interests; Clemente Yerovi Indaburu named interim president.
(15 October) Direct popular elections held for 79-man constituent assembly.
(16 November) Otto Arosemena Gomez elected interim constitutional president by constituent assembly.
- 1967 New constitution adopted: Arosemena term extended to 1 September 1968; national elections scheduled.
- 1968 (2 June) Jose Maria Velasco Ibarra elected in close three-way presidential race. Bicameral legislature also elected: nearly equally divided among Velasquistas, center-left coalition, and center-right coalition.
(1 September) Jose Maria Velasco Ibarra becomes president for fifth time in final phase of full return to constitutional government.
- 1970 (22 June) President Velasco assumes extra-constitutional power in face of continuing financial crisis and student disorders. Congress closed and modified version of 1946 constitution re-imposed.
- 1972 (15 February) President Velasco again ousted by military coup; army commander General Guillermo Rodriguez Lara becomes president.

Ecuador

IX - 2

May 72

SECRET

25X1

~~SECRET~~

25X1

TABULAR DATA**Holidays and Significant Dates**

29 January	Rio Protocol Day
1 May	Labor Day
24 July	Birthday of Simon Bolivar
10 August	Quito Independence Day
9 October	Guayaquil Independence Day

Selected Factual Data**LAND**

106,000 sq. mi., including Galapagos Islands; 11% cultivated; 8% meadows and pastures; 55% forested; 26% waste, urban, or other (1961)
Claimed limits of territorial waters: 200 n.m.

PEOPLE

Population: 6,412,000 (Jan. 1972 est.) (excluding nomadic Indian tribes); males 15 to 49, 1,494,000; 955,000 fit for military service; average number reaching military age (20) annually 63,000

Ethnic divisions: 41% mestizo, 39% Indian, 10% white, 5% Negro, 5% oriental and other

Religion: 95% Roman Catholic (majority nonpracticing), trace of Evangelical

Languages: Spanish, Quechua

Literacy: 57%

Labor force: 2 million, of which 55% agriculture, 16% manufacturing, 4% construction, 7% trade, 9% services, 9% other; shortage of skilled labor

Organized labor: 12% of labor force

GOVERNMENT

Legal name: Republic of Ecuador

Capital: Quito

Political subdivisions: 19 provinces and one territory (Galapagos Islands)

Ecuador

IX - 3

May 72

~~SECRET~~

25X1

Type: unitary republic

Legal system: based on civil law system; modified 1945 constitution replaced 1946 constitution in February 1972; legal education at four state and two private universities; has not accepted compulsory ICJ jurisdiction

Branches: President and government council assumed power by coup in February 1972.

Government leader: President Guillermo Rodriguez Lara

Political parties: National Velasquista Front, Radical Liberal Party, Social Christian Party, Conservative Party, Concentration of Popular Forces, National Revolutionary Party, Communist Party

Voting strength: in June 1968 national elections, Velasquistas, a center-left coalition, and a rightist coalition each got approximately one third

Communists: 500 in three parties plus 400 in pro-Castro Revolutionary Socialist Party, 400 youth, 3,000 sympathizers

Member of: UN (ECOSOC, IAEA), OAS, IADB, LAFTA and Andean Sub-Regional Group (formed in May 1969 within LAFTA)

ECONOMY

GNP: \$2.8 billion (est. 1970), \$460 per capita; 86% consumption, 14% gross investment (est. 1970); 1971 real growth rate est. 6%

Agriculture: main crops—sugar cane, beans, coffee, cotton, corn, bananas, cocoa, rice; nearly self-sufficient; caloric intake, 2,100 calories per day per capita (1964)

Major industries: food processing, textiles, cement, leather and rubber products, drugs, fishing, petroleum

Electric power: 270,000 kw. capacity (1970 est.); 950 million kw.-hr. produced (1970); 160 kw.-hr. per capita

Exports: \$235 million (f.o.b., 1971 est.); bananas, coffee, cacao

Imports: \$275 million; agricultural and industrial machinery, petroleum products, chemical products, transportation and communication equipment

Major trade partners: US, 37%; EC, 22%; Japan, 14% (1970)

Aid: Economic—extensions from US (FY46-70), \$192 million loans, \$95.2 million grants; from international organizations (FY46-70), \$152.4 million; from Communist countries (1954-70), \$15.4 million loans

Military—assistance from US (FY49-70), \$53.6 million

Monetary conversion rate: 25.25 sucres=US\$1 (official selling rate)

Fiscal year: calendar year

COMMUNICATIONS

Railroads: 710 mi.; 615 mi. 3'6" gauge, 95 mi. 2'5½" gauge; all single track; government owned (1965)

Ecuador

IX - 4

May 72

25X1

SECRET

~~SECRET~~

25X1

Highways: 12,800 mi.; 1,800 mi. paved, 4,000 mi. gravel, 3,800 mi. improved earth, 3,200 mi. unimproved earth
Inland waterways: 960 mi.
Pipelines: crude oil, 300 mi.; refined products, 50 mi.
Ports: 2 principal, 11 minor
Merchant marine: 8 ships (1,000 GRT or over) totaling 40,100 GRT, 48,600 DWT; includes 6 cargo, 2 tanker
Civil air: 14 major transport aircraft
Airfields: 187 total, 161 usable; 14 with permanent-surface runways; 6 with runways 8,000-11,999 ft.; 16 with runways 4,000-7,999 ft.; 3 seaplane stations
Telecommunications: expanding radio relay system, facilities adequate only in Quito and Guayaquil; 95,000 telephones; 650,000 radio and 70,000 TV receivers, 200 AM, 15 FM, and 11 TV stations

DEFENSE FORCES

Personnel: army about 20,000, navy 3,000 (including 425-450 marines), air force 1,655 (101 pilots)
Major ground units: 6 divisions, 5 separate battalions
Ships: 2 patrol escorts (plus 1 inactive), 7 other patrol ships and craft, 3 amphibious warfare ships, 3 auxiliaries, 10 service craft
Aircraft: 79 (22 jet) in air force, 3 (prop) in navy, 8 (prop) in army
Supply: dependent primarily on US; some major purchases from Western Europe
Military budget: for fiscal year ending 31 December 1971, \$22.9 million (about 11.3% of national budget)

25X1C

Ecuador

IX - 5

May 72

~~SECRET~~

25X1